FISCAL NOTE

SB 1940 - HB 1968

March 23, 2007

SUMMARY OF BILL: Expands the definition of "unfunded pension obligations" for which local governments can issue general obligation bonds under certain conditions.

ESTIMATED FISCAL IMPACT:

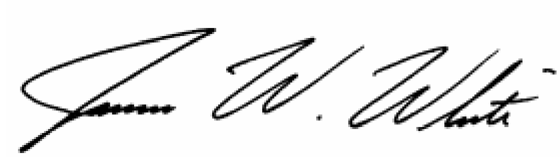
Other Fiscal Impact – Local governments may choose to issue such bonds if it is believed that more can be earned from investing the proceeds of the bonds than the cost of debt service. Such increased earnings may or may not take place. The cost for the issuance of debt can be high. The specific cost will vary depending upon the terms and timing of the issuance. The return on the funds invested from the proceeds of the bonds cannot be projected due to the variability of the return on various investments and the variability of the market in general. Local governments may experience a net increase or a net decrease in revenues and expenditures associated with the issuance of such bonds and their subsequent investment. The amount of such increases or decreases cannot be quantified but are estimated to be in excess of $100,000 due to the size of a bond issuance which can reasonably be estimated in excess of $1,000,000. Any debt issuance on the part of a local government would be permissive.

Assumptions:

- No fiscal impact on the Tennessee Consolidated Retirement System.
- The decision to issue such debt by local governments is permissive.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director